

# The Local Control Funding Formula: Staking Out the Ground for Early Learning

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## Introduction

The Local Control Funding Formula (LCFF), signed into law by Governor Jerry Brown on July 1, 2013, is a historic and path-breaking shift for California. The LCFF represents the first comprehensive change in the state's education funding system in 40 years. The new funding formula eliminates nearly all categorical funding streams. No longer do most state-provided dollars come with program strings attached. Instead, each district receives a base funding allocation plus added dollars (supplemental and concentration grants) to increase programs and services for low-income students, English learners, and foster youth. The LCFF empowers school districts to determine how to apportion these dollars to best meet the needs of their students and holds them accountable for results. The new system requires that each district develop a kind of fiscal strategic blueprint, called a Local Control Accountability Plan (LCAP), which must be generated with the involvement of parents and other community members and educators.

One of the few remaining categorical programs is state-subsidized Early Childhood Education (ECE). Districts that participate in California's State Preschool Program continue to receive dollars designated for ECE services. Nothing in the LCFF requires that additional funds beyond those allocated from the categorical program be committed to ECE nor does anything preclude it. It is this situation—significantly expanded fiscal flexibility for most education programs and services and designated funding for state-supported early childhood education—that significantly shapes the intersection of ECE and the LCFF in this early phase of implementation.

This paper is one in a series of reports on early implementation of the LCFF. Our first report, "Toward a Grand Vision: Early Implementation of California's Local Control Funding Formula," sought to understand how districts are using their newfound budget flexibility, how they are engaging parents and other stakeholders, and what opportunities and

challenges they foresee as the LCFF rolls out. Funded by the Stuart and Heising-Simons foundations, that study was the work of 12 independent researchers who, between August and October 2014, interviewed dozens of officials in 10 districts and 20 county offices of education (COEs) around the state.

We found: (1) enthusiasm for local control and for the opportunity the LCFF affords districts to align resources with needs; (2) seriousness of purpose among district and COE officials about wise and judicious expenditures and the obligation to provide added support to students most in need; and, (3) good faith efforts on the part of most districts to engage parents in the complex budget building process.

Not surprisingly, we also found a few challenges. Districts and county offices were concerned about the hurry up timeline for developing initial fiscal plans and remain worried that the new formula still does not provide adequate education dollars and that

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looming unknowns, such as the potential expiration of Proposition 30, could throw emerging fiscal stability into disarray. While some districts found authentic parent engagement to be more of a trial than they anticipated and found the LCAP to be more burdensome than they thought warranted, districts' most pressing concern is that the state will not sustain its commitment to local control, in other words, will not give the LCFF time to work.<sup>1</sup>

This report, "Staking Out the Ground for Early Learning," takes a closer look at the new funding formula and early childhood education. With funding from the Heising-Simons Foundation, a subset of the original researchers built on and supplemented the work of the first study.<sup>2</sup> In addition to reviewing all of the interviews and LCAPs from the original study districts for evidence of attention to ECE, we selected two focus districts for a deeper look: the San Mateo-Foster City School District and the Morgan Hill Unified School District. These districts were selected because: 1) the Heising-Simons Foundation invests in the counties in which they are located, and, 2) their LCAPs seemed to indicate dedicated resource allocation to early learning—\$10,000 for a Kickoff to Kindergarten Program in San Mateo-Foster City and \$20,000 of base funding for an Early Literacy Task Force in Morgan Hill.

San Mateo-Foster City, a K–8 district in San Mateo County, was one of our original study districts.<sup>3</sup> When researchers paid a two-day visit there in August 2014, we asked questions about their experiences with early implementation of the LCFF and made sure also to interview district officials with direct responsibility for early learning and ask targeted questions about San Mateo-Foster City's ECE approach.

Morgan Hill data were collected via telephone interviews in October 2014. We interviewed the superintendent, the associate superintendents in charge of business services, human resources, and

education services, and a key official of the Morgan Hill Federation of Teachers. Again, we asked some general questions about early implementation of the LCFF and a set of very specific questions about ECE in the district.

Finally, to round out our information about early childhood education in California, we conducted telephone interviews with three experts, including two County Office of Education officials, and one prominent ECE researcher.

The remainder of this brief sketches California's ECE landscape, presents mini case studies of the two focus districts, and offers findings, challenges, and opportunities for early learning programs under the LCFF.

## California's Commitment to ECE

California has a longstanding commitment to early childhood education. ECE programs in California, designed primarily for children ages 3–4, are supported by both state and federal funds. The federal Head Start program, funded by the U.S. Department of Health and Human Services, is targeted to early childhood programs for low-income children and their families. Funds are administered directly to grantee agencies through the Department of Health and Human Services (DHHS). However, DHHS also funds a Head Start Collaborative within the California Department of Education. Title I dollars from the Elementary and Secondary Education Act can fund preschool for children at greatest risk of failing to meet state academic standards. Funds from the federal Individuals with Disabilities Act (IDEA) support preschool programs for young children with special needs. California's Race to the Top Early Learning Challenge (ELC) Grant, funded in 2012 at \$52.6 million, supports various activities, most of them county-based, to improve the quality of early learning in 17 regional leadership consortia and 14 mentee counties.

At the state level, migrant child care funds assist families who need child care in order to work in agriculture. First 5 California, created by voters in 1998 with money from the so-called tobacco tax, funds health and education programs for children ages 0–5 and their families.

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<sup>1</sup> For more detail, see the report: <http://www.stuartfoundation.org/NewsAndReports/ReportsAndResearch/2014/10/28/toward-a-grand-vision-early-implementation-of-california-s-local-control-funding-formula>

<sup>2</sup> Another report in the series, "Not Yet Making the Grade," examines early implementation of the LCFF and foster youth.

<sup>3</sup> All districts in the initial study, except San Mateo-Foster City, were promised anonymity. San Mateo-Foster City agreed to be named as a condition of being included in the Heising-Simons study.

The state's flagship ECE program, the California State Preschool Program, was created in 2008 when the Legislature consolidated funding for State Preschool, Prekindergarten and Family Literacy, and general child care center-based programs. The California State Preschool Program offers both half-day and full-day options to children whose parents meet income eligibility requirements. The State Preschool Program received a boost of \$70 million in the 2014–15 state budget to fund 11,500 preschool slots over the next two years, many of these to restore slots cut during the recession years.

Transitional kindergarten (TK) is a relatively new addition to early learning policy in California. The product of the Kindergarten Readiness Act, SB 1381 of 2010, TK is designed to serve as a bridge between preschool and kindergarten, providing children added time to develop school readiness skills. Prior to the introduction of TK, children could begin kindergarten at the beginning of the school year if they reached their fifth birthday by December 2. Proponents of TK argued that entering kindergarten at such a young age placed California's children at a disadvantage academically. They proposed moving the kindergarten birthdate entrance requirement to September 1.

In fall 2012, California began a three-year process of rolling the kindergarten birthdate cutoff back one month each year. Students no longer eligible for kindergarten because of their birthdates were offered spots in transitional kindergarten, funded by state resources that would otherwise have followed them into kindergarten. Beginning in 2012, all districts were required to offer TK for eligible children (those born between November 2 and December 1); beginning in fall 2014 districts provided TK seats for all children born between September 1 and December 2. The program is offered at no cost to families.

Despite a myriad of funding streams and programs, California's early childhood education system still has significant room for improvement. A recent report by *Education Week* ranks California 45th in the nation for its efforts to support the education of its youngest children. While California is ahead of most states in preschool and kindergarten enrollment, only a third of low-income 3- and 4-year-olds are in federal Head Start programs and the preschool enrollment gap

between low-income children and higher-income children is larger than the national average.<sup>4</sup>

## The Focus Districts

We turn now to this study's two focus districts. As previously noted, San Mateo-Foster City and Morgan Hill were selected because their LCAPs suggest each of these districts is committed to expanding early learning opportunities. What does a closer look reveal?

### SAN MATEO-FOSTER CITY SCHOOL DISTRICT

San Mateo-Foster City is a K–8 district in San Mateo County with a student population of 11,700. About a third (34%) of the students are Hispanic, 27% are white, 22% are Asian, 2% are African-American, and the remaining students belong to various other racial and ethnic groups. Among the students, 27% are English learners and 32% are classified as “socioeconomically disadvantaged.”

San Mateo-Foster City provides elementary education for students who live in both the San Mateo and Foster City communities. While this arrangement is designed to enhance administrative efficiency, a high level district official describes the district as one of “haves and have nots.” Parents who live in wealthier neighborhoods were able to absorb cuts during the recession and simply supplemented lost dollars with their own contributions. In some neighborhoods, parents generally are less affluent and their children are more likely to be English learners. These students suffered the recession cuts.

San Mateo-Foster City has a 30-year tradition of supporting early learning. According to interviewees, continual commitment to early childhood education and increasing financial contributions to early childhood education have resulted in a paradigm shift from providing “babysitting” to offering academic and social development opportunities to the district's youngest children. ECE, thus, has become part of San Mateo-Foster City's education culture. At present, the district's ECE/TK program is about half the size of its entering kindergarten class.

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<sup>4</sup> <http://www.edweek.org/ew/toc/2015/01/08/index.html>

The district offers state subsidized preschool programs at four of its campuses, including two full day preschool classrooms. Families who participate in these programs must be income eligible, generally earning less than \$30,000 a year for a family of four. San Mateo-Foster City also offers nine (9) fee-based preschool programs with a variety of curricula for families who do not meet income requirements for subsidized preschool.

When asked why the district maintains such a strong commitment to early childhood education, interviewees noted several factors. First, they say, is a history of supportive district leadership that shares the commitment to ECE. That commitment has been sustained throughout successive administrations.

Second, interviewees say, are increasing district fiscal contributions to ECE programs above and beyond the state categorical funding. It should be noted these are other state categorical or federal dollars, not LCFE base or supplemental funding. As one district official described it,

*When I first [came], the district did not contribute any money to the preschool programs. Once the awareness started to happen, they started contributing CBET [Community-based English Tutoring] and Title I funding. I think that really showed their commitment ... that they were willing to do it. A lot of my colleagues in other districts say that they don't get a dime of district funding. It's just one way that our district has said, 'Yes. This is important. And this is how we let you know that it is important.'*

A third factor that demonstrates the district's commitment to early childhood education say interviewees, is that the district has never reneged on its pledge to provide district level staffing for ECE programs. Currently, San Mateo-Foster City supports two full-time positions, both held by principals on special assignment, to focus on early learning. One oversees Child Development, Kids and Families First, and Preschool programming. The other is in charge of the district's TK program that operates in 11 classrooms.

In addition, district leaders praise support from the San Mateo County Office of Education. Said one official, *"They have their fingertips on all of the things that are happening at the state level and they keep us informed. They keep that communication going. They are fantastic."*

District early childhood officials were involved in the LCAP development process. By helping to identify LCAP goals their programs supported, they believe their participation in the process may have helped to raise the profile of ECE in the district. Said one district official:

*Everybody knew that we did preschool, but I don't think everybody was quite aware of some of the other things we are doing that are now listed in the LCAP. Through our programs, we are providing the adult ed and second language classes for parents. We are facilitating that process and I think that it [LCAP development] was an opportunity for people to know.*

Being part of the district discussion allowed them, they say, to share their work, as well as helping to position early childhood education for participation in future budget discussions. In this round of LCAP development, added awareness did not lead to additional funds. The \$10,000 allocated in the LCAP for Kickoff to Kindergarten—a summer school opportunity for children who are about to enter kindergarten with no previous preschool experience—represents a continuation of a program and funding ongoing in the district for the last several years.

When asked about the pros and cons of ECE continuing to be categorically funded, district leaders were unequivocal: Categorical funding is a benefit for early childhood education, ensuring that it does not enter the debate for new funds and instead continues to receive constant resources. Said one district interviewee:

*I so appreciate the fact that the state has not folded it in [to LCFE], that we do maintain our own funding stream. Were that to happen, we might be watered down ... I do think it should be called out ... Our funding is protected and not lumped together. I am really grateful [for] that....*

Their enthusiasm for maintaining ECE's funding status notwithstanding, district officials pointed to a growing ECE challenge that categorical preschool funding cannot help them overcome. That is, meeting the needs of all children in the community. Only a small group of children (about 264) are income eligible for the state preschool program. The district has been able to offer preschool slots to all of these families. Many other families can afford the fee-based programs. The district worries about families who fall in between—earnings too high for State Preschool

but insufficient family resources for fee-based programs. These families, they say, are underserved for ECE. District enrollment is anticipated to grow. As it does, district officials believe the need for more preschool options will become apparent.

*I think there's a huge need for more preschool slots. The state [Preschool Program] has a strict income eligibility. ... The state [needs] to look at more of a universal kind of preschool, or starting with expanding the targeted group, because in truth the income limit is something like \$2,800 a month for a family of four in the Bay Area. We would... have a huge need if there w[ere] some way of catching those families that don't qualify for the state program. [We are] not serving a lot of the kids who would really, really benefit.*

## MORGAN HILL UNIFIED SCHOOL DISTRICT

The Morgan Hill Unified School District serves approximately 8,700 K–12 students within a 300 square mile radius just south of San Jose. District leaders describe a diverse district, both in terms of socio-economic status and ethnicity. In addition to being a relatively poor district—under California's old funding formula, Morgan Hill was one of the lowest revenue limit districts in the area—the district has sustained more than \$20 million in cuts since 2008. Morgan Hill has supplemental funding under the LCFF and anticipates increasing dollars in coming years.

Morgan Hill runs an extremely limited preschool program. The district offers three preschool special needs classes, serving 36 children, funded with special education dollars and two classes for 29 migrant students funded by migrant education funds. The district also enrolls 113 students in transitional kindergarten. Taken together, Morgan Hill's preschool and transitional kindergarten population is just under one quarter the size of its kindergarten class.

The district also serves as the fiscal agent for State Preschool Program funds. For 20 years, Morgan Hill has contracted its preschool services to Child Development Centers (CDC), an independent California-based organization. CDC operates four preschool classes, serving 14 students each, in Morgan Hill. All of the preschool staff, including administrators, teachers, and support personnel, are CDC employees. In interviews district staff were very

clear that the district simply provides the space; it is not involved with the operation of the program.

There is some pressure to expand preschool offerings and for the district to take a more active role in ECE. Morgan Hill is taking the first tentative steps to explore the possibility of offering a Head Start program, examining need and feasibility.

More relevant to the LCFF, there have been some quite preliminary conversations about the prospect of using the opportunity presented by the LCFF to expand access to early learning for targeted students.

Morgan Hill is firmly committed to transitional kindergarten and is engaged in serious discussions about how to raise awareness among parents and enroll more children in the program. The district currently has four TK classrooms. The superintendent believes far more families could benefit. In fact, he says, he would like to be able to offer a full year prior to kindergarten, a kind of “TK plus,” to all children.

To that end, the district is beginning to select an assessment, to be given TK-grade 2, to appraise children's reading skill and identify students who need reading intervention. Eventually, the district would like to expand the assessments to the year prior to TK.

Morgan Hill has allocated \$20,000 from its base funding to support assessment selection and training needed for teachers in TK-grade 2. This allocation is noted in the district's LCAP as the Early Literacy Task Force. The primary mission of the Task Force, composed of teachers representing TK, first and second grades, a representative each of the district's Education Services and Curriculum and Instruction departments, two principals, and a literacy expert from the County Office of Education, is to review and select the assessment.

## Confronting Challenges, Leveraging Opportunities

This study reveals both the challenges and opportunities inherent in making a place for ECE in the LCFF. In this section, we look across all of the LCFF early implementation data including in-person interviews in the 10 study districts, telephone interviews with Morgan Hill officials, and interviews with COE officials.

Data show that ECE programs were not among districts' priorities in the initial phase of implementation of the LCFF. On balance, districts made few changes in the way they finance ECE programs. ECE rarely appears in LCAPs. Yet, we also found that challenges notwithstanding, the LCFF offers an opportunity to expand the reach, visibility, and impact of ECE.

## Culture Shifts and Hard Fiscal Choices

The LCFF marks a culture shift. As districts move from state-directed funding mandates to fiscal flexibility, they are confronted with myriad choices about how best to allocate resources to serve the needs of their students. Districts are just beginning to find their way in this new world. As we reported in our first report on early implementation of the LCFF, some districts are using this first year to backfill programs and positions that were lost in recession era cuts. Others are taking a more zero-based budgeting approach, beginning by asking, "What do we need?"

In the first round of LCAP development, the answer to that question rarely included "early childhood education." To be sure, we found no hostility among districts or COEs toward preschool and other early learning programs. To the contrary, a number of district officials reported that they may consider ECE in ensuing budget years. Yet many also expressed the view that ECE is "not part of our mission." Many district officials believe their responsibility begins with kindergarten, or now with TK. As one COE official told us, "It's a culture shift, it's a framing shift to say early childhood is part of [districts'] mission." Commented a district ECE coordinator, "It has been a struggle to be seen as integral."

The form of ECE funding sometimes intensifies ECE separateness. Preschool retains its categorical funding status with a designated pot of money that is secure regardless of districts' choices about how to allocate newly flexible dollars.

Given the historic fragility of education funding in California, it is perhaps understandable that early childhood officials we interviewed favor ECE retaining categorical status. Recall the comment from the San Mateo-Foster City official: "I so appreciate the fact that the state has not folded it in [to LCFF], that we do maintain our own funding stream." Commented an official in another study district, "The

nice thing [about preschool] being a categorical program is that no one can pull it." Yet a superintendent put a different spin on the issue when asked why ECE is not part of that district's LCAP. "They're already taken care of," he said.

Nothing in the LCFF regulations precludes districts from using their LCFF dollars for preschool programs. But as one COE official remarked, "[It's a matter of getting] districts to understand the benefit [of preschool] to them, that it will help them meet their priorities. What's the win [for them] to invest in pre-K?"

District early childhood officials said they typically were not involved in their districts' LCAP development or budget building. Yet we found encouraging exceptions, examples of intentional inclusion of ECE in LCAP work. The superintendent in one study district put the early childhood coordinator on the district leadership team. As a member of that team, she participated in LCAP discussions about district priorities. Her participation did not result in more funds for ECE, but did, she says, increase her colleagues' awareness about ways in which the preschool program supports other district efforts.

In San Mateo-Foster City, an ECE official served as part of the LCAP development team. "I met," she said, "with the student services team. We looked at what areas would be important to be considered in the LCAP. We looked at what we were doing to serve targeted families." As one COE official noted, "Districts need to see the continuum [from ECE through grade 12]. The LCFF and LCAP will permit districts to make those connections."

For districts to begin viewing ECE as part of the district system, some additional work is warranted. The early learning community, including providers and educators, needs fully to engage in the LCAP process and become part of broader district discussions around priorities and goals. The level of engagement achieved will likely determine the future place of ECE in the LCFF. However, the ECE community is not of one mind about the advisability of expanding the K–12 education system to pre-K students. Many early childhood educators view various federal and state accountability systems as placing too much emphasis on academic performance, while neglecting the important developmental, social, and emotional growth of young children. In addition, much of the ECE world

is privatized and may want to maintain independence from the public system. To the extent the ECE community does not speak with a single voice or send a consistent message, its influence will be diminished. In the meantime, while some local efforts to enlarge the ECE fingerprint on districts' LCAPs and budget priorities are evident, a major statewide effort among the ECE community to advocate for ECE as a funding priority is not.

## Engaging Parents, Building Bridges

Our study districts used a variety of strategies, including surveys, meetings, and task forces, to engage parents and community members in setting district goals and spending priorities. Morgan Hill, one of the focus districts for this study, developed a particularly comprehensive approach. The district formed a committee that included the mayor, chief of police, staff from social service agencies, parent representatives from each school, and teachers and union representatives. The committee drafted goals and activities over the course of a half dozen meetings and then presented the results of their work to the broader Morgan Hill community during three meetings spread geographically throughout the district.

As we noted in the first research brief on early implementation of the LCFF, most districts made a good faith effort to engage parents and community members; many came up somewhat short. Districts often needed a different set of skills to reach a wider array of parents, especially parents of students who belong to the LCFF target groups, low-income and EL students and foster youth. Districts whose engagement efforts reached deepest into the parent community brought in outside organizations, such as Building Healthy Communities and EdTrust West, that have the kinds of experience and skills needed for the task.

Officials in several study districts acknowledged that parents and community members raised the issue of ECE at LCAP meetings. Nevertheless, they said their outreach efforts generally did not extend to parents of preschoolers. In one study district, the Director of Preschools and Child Development Programs took it upon herself to make an LCFF presentation before the district's preschool advisory committee and then held meetings with preschool parents at sites to discuss with them their budget priorities. She

transmitted the information to the district but does not know what became of it after that.

Perhaps TK opens the door for some new work. ECE and TK parents would seem to be natural allies. As the focus studies for this report reveal, San Mateo-Foster City and Morgan Hill are enthusiastic about their transitional kindergarten programs and look to expand them in the future. This eagerness to grow the program may in part be attributable to available state funding for TK.<sup>5</sup> District officials though made clear that they believe TK serves a previously unmet need. While districts must offer TK as of 2014, not every eligible child is required to enroll. Expanding awareness of TK might offer ECE advocates an opening to build an early learning bridge with school districts and promote expanded ECE opportunities.

## Conclusion

California has a strong policy commitment to early childhood education. In addition to funding the 11,500 preschool slots as mentioned previously, this year's state budget also pledged to add 31,500 preschool slots in upcoming years. Once implemented, the plan will cover approximately half the state's 4-year-olds.

California's public also believes ECE is essential. In a December 2014 Field poll conducted in partnership with EdSource, 61% of Californians said they consider a high quality preschool experience very important; another 22% said they consider it somewhat important. When asked if the state should expand preschool to serve all low-income 4-year-olds, 81% said this was a very or somewhat important step for the state to take.<sup>6</sup>

The LCFF provides proponents of early learning a prospect for real change. By linking current state policy, public sentiment, and newly flexible dollars, they can work to develop a more inclusive education culture and influence districts' resource allocation choices. California's disappointing national ranking in terms of providing education for its youngest children should spur a more activist approach among ECE

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<sup>5</sup> The exception we found to this is basic aid districts that generally do not receive state aid, including money for TK. For these districts, as one COE official noted, requiring districts to offer TK "is a bitter pill to swallow."

<sup>6</sup> <http://www.field.com/fieldpollonline/subscribers/RIs2493.pdf>

educators, parents, and the public to prioritize ECE in district budgets. Districts must complete revised LCAPs by July 2015. A fresh opportunity awaits.

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